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**August 3, 2004**

# DEPARTMENT OF TAXATION ANNOUNCEMENT NO. 2004-03

**RE: Act 96, Session Laws of Hawaii 2004, Relating to Energy (Act 96)**

On June 2, 2004, the Governor signed S.B. No. 1239, S.D. 1, H.D. 2, C.D. 1 into law as Act 96. Act 96 reduces the total taxes for ethanol, methanol, biodiesel, and other alternative fuels, except for liquefied petroleum gas.

Act 96 amends section 243-4, HRS, to lower taxes on alternative fuel sold for use in operating an internal combustion engine, from one cent to one-quarter of one cent per gallon.

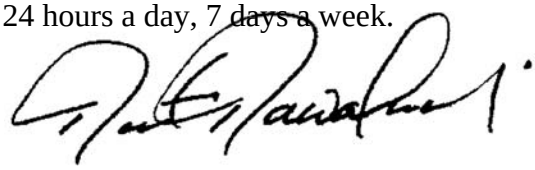
Act 96 further amends section 243-4, HRS, to lower taxes for each gallon of alternative fuel sold for use in operating a motor vehicle on public highways at a rate proportional to the rate applicable to diesel oil set forth in section 243-4(b), HRS[1], rounded to the nearest one-tenth of a cent, as follows:

Ethanol from 0.29 to 0.145 times the rate for diesel;
Methanol from 0.22 to 0.11 times the rate for diesel;
Biodiesel, from 0.50 to 0.25 times the rate for diesel;
Liquified petroleum gas remains unchanged at 0.33 times the rate for diesel; and
For other alternative fuels, the tax rate, on an energy content basis, is changed from one-half to one-quarter the rate for diesel.[2]

The amendments made shall take effect on July 1, 2004, and shall apply to tax years after December 31, 2003.

[1] Currently $0.15/gallon.
[2] The energy content basis is based on the energy content of the alternative fuel as compared to diesel fuel, using a lower heating value of 130,000 BTU/gallon, as the standard for diesel.

Current forms and other tax information are available at the Department's website at: www.state.hi.us/tax. If you know which tax form or publication you need, please call the Department's request line at 808-587-7572, or toll-free from the neighbor islands and continental U.S. at 1-800-222-7572. This service is available 24 hours a day, 7 days a week.



KURT KAWAFUCHI
Director of Taxation

HRS Section Explained: HRS section 243-4.